

IRS TAX TIP 2003-22

CHILD AND DEPENDENT CARE CREDIT

If you paid someone to care for a child or a dependent so you could work, you may be able to reduce your tax by claiming the credit for child and dependent care expenses on your federal income tax return, according to the IRS. This credit is available to people who, in order to work or to look for work, have to pay for child care services for dependents under age 13. The credit is also available if you paid for care of a spouse or a dependent of any age who is physically or mentally incapable of self-care.

To claim the credit for child and dependent care expenses, you must meet the following conditions:

1. You must have earned income from wages, salaries, tips, or other employee compensation. If you are married, both you and your spouse must have earned income, unless one spouse was either a full-time student or was physically or mentally incapable of self-care.
2. The payments for care cannot be paid to someone you can claim as your dependent on your return or to your child who is under age 19.
3. Your filing status must be single, head of household, qualifying widow(er) with a dependent child, or married filing jointly.
4. The care must have been provided for one or more qualifying persons identified on the form you use to claim the credit.
5. You (and, if you're married, your spouse) must maintain a home that you live in with the qualifying child or dependent.

What is a "qualifying" child or dependent? The child must have been under age 13 when care was provided and you must be able to claim the child as an exemption on your tax return. (For an exception to this rule, see "Child of Divorced or Separated Parents" in Publication 503.) A spouse who is mentally or physically unable to care for himself or herself also qualifies. A dependent of any age who is physically or mentally incapable of self-care also qualifies if the person can be claimed as an exemption on your tax return (or could have been claimed, except for the fact that the person had \$3,000 or more of gross income).

To claim the credit, you'll need to provide the name, address and taxpayer identification number of the care provider. If the provider is an individual, you need the Social Security number. If it's a business, you need the provider's employer identification number. Use Form W-10, "Dependent Care Provider's Identification and Certification," to request this information from the care provider. If you're filing Form 1040, write the care provider information on Form 2441. If you're filing Form 1040A, the care provider information goes on Schedule 2. You cannot use Form 1040EZ if you claim the child and dependent care credit.

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As with all good things, there are some limitations on the amount of credit you can claim. If you received dependent care benefits from your employer, other rules apply. For more information on the Child and Dependent Care Credit, see Publication 503, "Child and Dependent Care Expenses," or Chapter 33 of Publication 17, "Your Federal Income Tax." You may download these publications from the IRS Web site at www.irs.gov, or order them by calling 1-800-TAX-FORM (1-800-829-3676).

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